

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6970

BILL NUMBER: HB 1787

DATE PREPARED: Jan 16, 1999

BILL AMENDED:

SUBJECT: Economic development incentives.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows a person to file a complaint with an entity that awarded an economic development incentive alleging that the recipient of the incentive has not complied with the wage and benefit levels that the recipient proposed or promised in order to obtain the incentive. It requires the entity that awarded the incentive to hold a public hearing and issue a written finding on the complaint.

The bill also provides that if the entity that awarded the incentive determines that the recipient of the incentive has not complied, the recipient forfeits the incentive unless the entity finds that the recipient was unable to comply because of the recipient's: (1) filing for bankruptcy; or (2) financial circumstances that reasonably prevented the recipient from complying.

Effective Date: July 1, 1999.

Explanation of State Expenditures: This bill allows any person to file a complaint with an entity that awards certain economic development incentives alleging that a recipient of an incentive has not complied with proposed wage and benefit levels. The programs that would be affected by this bill are:

- Enterprise Zones (EZs)
- Economic Development for a Growing Economy (EDGE) credits
- Economic Revitalization Areas (ERAs)
- Airport Development Zones

The EZ and EDGE programs are administered through the Indiana Department of Commerce (IDOC), while ERAs and Airport Development Zones are both administered locally.

The EZ Board and EDGE Boards would be required by this bill to hold a public hearing no more than thirty days after receiving a complaint. After considering the evidence presented, the boards must then declare

within fifteen days if the business has maintained the wage and benefit levels proposed when incentives were obtained. If the business has not, these incentives would be forfeited (except in cases of bankruptcy or other financial circumstances).

Because this bill provides that any person may file such complaints, it is difficult to estimate the number of hearings that would result. The EDGE Board does not compensate members for travel or per diem allowances, but these costs would total at least \$550 for each meeting of the EZ Board. The IDOC would incur additional administrative expenses associated with this proposal, and if a sufficient number of complaints were received, additional staff may be required.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Explanation of State Revenues: The specific effects of this proposal will vary with each program, making the overall fiscal impact difficult to determine. If economic development incentives were forfeited, total credits against state tax liability would be reduced, increasing tax revenues. However, if the incentives had proven effective in creating employment and business development, there could be offsetting secondary impacts.

Explanation of Local Expenditures: Local entities that have granted economic development incentives through ERAs or Airport Development Zones could also be required to hold hearings and rescind incentives (see above Explanation of State Expenditures).

Explanation of Local Revenues: This bill may reduce the number of tax benefits awarded to businesses, which could increase some local revenues and shift the burden of property taxes within certain tax districts. However, if the forfeited incentives had helped to create jobs and economic development, there could be negative secondary impacts. (see Explanation of State Revenues).

State Agencies Affected: EZ Board, EDGE Board, IDOC.

Local Agencies Affected: Local units where ERAs and Airport Development Zones are located.

Information Sources: Leslie Richardson, Director, Division of Research, IDOC, (317) 232-8962.